Senate Budget and Fiscal Review—Wesley Chesbro, Chair

SUBCOMMITTEE NO. 3 Agenda

Chair, Senator Denise Moreno Ducheny
Senator Dave Cox
Senator Wesley Chesbro

Thursday, May 18, 2006, 1:00 pm
John L. Burton Hearing Room (4203)
Consultant, Anastasia Dodson

Vote-Only Agenda

Discussion Agenda

Due to the volume of issues testimony will be limited. Please be direct and brief in your comments so that others may have the opportunity to testify. Written testimony is also welcome and appreciated. Thank you for your consideration.

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Vote-Only Agenda

4140 Office of Statewide Health Planning and Development (OSHPD)

Vote-Only Issue 1: Hospital Seismic Safety

Description: The May Revision proposes 16.0 new positions and $1.3 million Hospital Building Fund to improve the efficiency of the hospital facility safety review functions performed by OSHPD. The Subcommittee originally heard this issue on March 23rd.

Background:

A. **Hazards U.S. (HAZUS) Seismic Safety Assessment:** The May Revision requests an increase of $100,000 for an independent contractor to peer review an analysis of the seismic safety risk of hospital buildings using HAZUS, a federal seismic safety assessment tool.

OSHPD proposes to utilize the HAZUS program developed by the Federal Emergency Management Agency to re-examine the seismic risk of acute care health facilities that are currently rated as most at risk of collapse or significant loss of life, and reprioritize these buildings based on a reassessment of their level of risk. The outside consultant will peer review the results of this HAZUS reassessment.

B. Facilities Development Division Training Program and Additional Clerical Support: The May Revision requests an increase of $1,247,000 to implement a training program within the Facilities Development Division (FDD) to train an additional 12.0 Fire and Life Safety Officers (FLSO) by 2007-08. The OSHPD requests the establishment of 3.0 administrative and technical support positions to develop the training program and 6.0 FLSO trainee positions to start in January 2007. An additional 6.0 FLSO positions will begin in July 2007.

The OSHPD's request also includes the establishment of 7.0 Office Technicians to improve the efficiency of regional operations. The positions would support plan and field supervisors and alleviate construction review staff of clerical responsibilities.

Existing law requires that after January 1, 2008, any general acute care hospital building that is determined to pose a potential risk of collapse, or pose a significant risk of loss of life, be used only for nonacute care hospital purposes. Current law authorizes the OSHPD to extend the January 1, 2008 deadline for certain hospital buildings of a general acute care hospital, upon demonstration by the owner that compliance will result in a loss of health care capacity that may not be provided by other general acute care hospitals within reasonable proximity.

Under existing law, owners of all acute care inpatient hospitals are required by January 1, 2030, to either demolish, replace, or change to nonacute care use all hospital buildings not in substantial compliance with the regulations and standards developed by the OSHPD, or to seismically retrofit all acute care inpatient hospital buildings so that they are in substantial compliance.

The FDD regulates the design and construction of healthcare facilities to ensure the facilities are safe and available to provide care to the community in the event of a major disaster. The purpose of the establishment of a training program is to improve the OSHPD's ability to respond to the increased construction volume expected in response to pending seismic compliance deadlines.

C. **Logbook Redesign Project:** The May Revision requests a reduction of $148,000 to remove one-time costs from second-year funding for the Logbook Redesign Project. These one-time costs for consultant services were inadvertently proposed to continue in 2006-07.

The Logbook Database System is used by the FDD to track health facility construction projects through the plan review and construction phases. The system also supports the tracking of facility compliance with seismic retrofit projects and facilitates emergency operations in the event of a natural disaster. The proposed solution for the Logbook Redesign Project is a fully integrated system that will replace the current system of add-on modules and poorly integrated database tables. The new system is scheduled for implementation in 2008-09.

Recommendation: Approve the May Revision requests, and adopt placeholder trailer bill language to provide statutory authority for the training program.

4170 California Department of Aging (CDA)

Vote-Only Issue 2: Multipurpose Senior Services Program (MSSP)

Description: Annual funding for the Multipurpose Senior Services Program (MSSP) has remained unchanged since 2000, at $46.9 million ($23.5 million General Fund). As with other home- and community-based waivers, MSSP must meet cost-neutrality provisions that require programs costs not exceed the costs of institutional care.

Background: Local MSSP sites provide social and health care management for frail elderly clients who are certifiable for placement in a nursing facility but who wish to remain in the community. The goal of the program is to arrange for and monitor the use of community services to prevent or delay premature institutional placement of these frail clients. The services must be provided at a cost lower than that for nursing facility care. California currently has 41 sites statewide, which serve up to 11,789 clients per month.

Funding for local MSSP sites of $44.5 million ($22.3 million General Fund) is included in the Department of Health Services (DHS) budget, and administrative funding of $2.4 million ($1.2 million General Fund) is included in the CDA budget.

Due to program cost increases and flat funding since 2000, MSSP providers have had to reduce the number of clients served, hired less experienced staff, and increase care manager client ratios. In response, CDA has allowed MSSP sites to use existing funding with more flexibility. However, .MSSP providers indicate that even with this flexibility, another year of flat funding will result in further reductions in client caseload, longer waiting lists, and the inability for MSSP to meet its contractual standards. The subcommittee may wish to consider additional funding of $6 million ($3 million General Fund) for MSSP to maintain the current level of service in 2006-07.

Recommendation: Approve $6 million ($3 million General Fund) additional funding for MSSP. In addition, to align MSSP program management and funding, consolidate all funding for MSSP in CDA (shift existing MSSP funding in DHS to CDA).

4200 Department of Alcohol and Drug Programs (DADP)

Vote-Only Issue 3: Drug Medi-Cal

Description: The May Revision includes $133.7 million ($69.9 million General Fund) for Drug Medi-Cal in 2006-07, an increase of 10 percent over the Governor's Budget due caseload increases and lawsuit settlements.

Background: Drug Medi-Cal treatment is provided through four modalities:

- **Narcotics Treatment Program** (NTP) provides narcotic replacement drugs (including methadone), treatment planning, body specimen screening, substance abuse related physician and nurse services, counseling, physical examinations, lab tests and medication services to person who are opiate addicted and have substance abuse diagnosis. The program does not provide detoxification treatment. NTP providers are the primary Drug Medi-Cal providers.

- **Day Care Rehabilitative** provides specific outpatient counseling and rehabilitation services to persons with substance abuse diagnosis who are pregnant, in the postpartum period, and/or are youth eligible for the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) program.

- **Outpatient Drug Free** provides admission physical examinations, medical direction, medication services, treatment and discharge planning, body specimen screening, limited counseling, and collateral services to stabilize and rehabilitate persons with a substance abuse diagnosis.

- **Perinatal Substance Abuse Services** is a non-institutional, non-medical residential program that provides rehabilitation services to pregnant and postpartum women with a substance abuse diagnosis.

Excluding the impact of the Conlan lawsuit, the Regular Drug Medi-Cal population is projected to be 188,461 in 2006-07, an increase of 6,702, or 3.7 percent, from the January Governor's Budget. In addition to caseload adjustments, the May Revision Estimate projects a net increase in average units of service for the program. These increases are a result of expanded treatment capacity and an increase in the number of substance abuse treatment and recovery providers over the last several years.

Fee Increase Limit: In 2004, SB 1838 (Chesbro) was passed by the Legislature and signed into law. This bill, in part, intended to make technical, non substantive changes to the Health & Safety Code related to the statutory authorization for a broad range of components of the drug treatment programs administered by DADP. In error, substantive changes to the section relating to the licensing fees paid by Narcotic Treatment Centers to DADP were added to the bill that increased the cap on fee increases. Providers have requested trailer bill language to correct that problem, and limit fee increases to no more than increases in the Consumer Price Index (CPI). Current law limits fee increases to the CPI plus five percent.

Recommendation:

A. Approve the May Revision Drug Medi-Cal caseload adjustments to increase funding by $7.6 million ($4.2 million General Fund).

B. Adopt placeholder trailer bill language to limit Narcotic Treatment Center fee increases to CPI increases.

Vote-Only Issue 4: Conlan Implementation and Retroactive Payments

Description: The May Revision requests an increase of $5.3 million ($2.7 million General Fund) and 4.0 two-year limited term positions to comply with the court ordered mandates associated with the *Conlan v. Bontá* and *Conlan v. Shewry* lawsuits. These lawsuits require the Drug Medi-Cal program to provide prompt reimbursement to Medi-Cal beneficiaries who incur out-of-pocket expenses for reimbursable services under the DMC program.

***Conlan* Lawsuits:** The *Conlan v. Shewry* and *Conlan v. Bonta* lawsuit settlements require Medi-Cal programs, including Drug Medi-Cal, to provide prompt reimbursement to beneficiaries who incurred out-of-pocket expenses for Medi-Cal reimbursable services, retroactive back to June 1997. Going forward, Medi-Cal providers are required to promptly reimburse a beneficiary for out-of-pocket reimbursable expenses prior to billing Medi-Cal. The May Revision includes $5.3 million ($2.7 million General Fund) and 4.0 two-year limited-term positions for processing and payment of retroactive *Conlan*-related claims. Ongoing costs for *Conlan* are reflected in the previous issue – Drug Medi-Cal Caseload and Rates.

DADP Workload: The Department of Health Services (DHS) will coordinate with the court in issuance of a final court order. The DHS Fiscal Intermediary processes all Medi-Cal claims, including Drug Medi-Cal. Once the final court order is issued, DHS has 60 days to implement the court order to begin accepting and processing claims. The Fiscal Intermediary will conduct the initial assessment of a claim package for initial validity and completeness, and then DADP will provide final verification and processing of payment. DADP must design, develop, and implement new processes to ensure prompt reimbursemet for the costs of services received and paid for by Medi-Cal beneficiaries. Given the timeline to implement the court order, DADP will utilize existing staff to complete as much of the implementation work as possible. However, the department indicates the workload required to process the anticipated number of *Conlan* claims will be significant and cannot be absorbed by existing staff beyond current year. The requested staff will process *Conlan* claims and Conlan related Drug Medi-Cal certification applications while existing staff continues processing current claims, budgets, cost reports, certification applications, and payments. The workload requirements are as follows:

- DHS will be issuing notices to all current and former Medi-Cal beneficiaries, and a letter to all Medi-Cal enrolled providers. However, because ADP substance abuse treatment providers are not required to be DHS Medi-Cal enrolled, ADP will assume responsibility of issuing a letter to all substance abuse treatment providers and county alcohol and drug program administrative offices.

- ADP will be responsible for ensuring that the claim is valid and that reimbursement for *Conlan* claims for substance abuse services will be prompt. This process will include: tracking of claims, working with providers so they can reimburse the beneficiary, invoicing the provider if they refuse to reimburse the beneficiary, issuing reimbursement to beneficiaries, processing certification applications, enforcing Medi-Cal rules, maintaining an 800 telephone number, providing assistance to beneficiaries and providers, processing fair hearing documents, and developing status reports. ADP will also be responsible for certifying non-Drug Medi-Cal providers who provided services to beneficiaries during the retroactive period.

While the date of the final court order is uncertain, the court indicated at a hearing on May 4, 2006, that it expects payments to beneficiaries to begin by October 2, 2006. It is expected that the timeline for submission of claims beginning with June 1997 through December 2005, will be within one year from the implementation date. Thereafter, all claims must be submitted within one year of service.

Recommendation: Approve the request for $5.3 million ($2.7 million General Fund) and 4.0 two-year limited term positions to comply with the court ordered mandates associated with the *Conlan v. Bontá* and *Conlan v. Shewry* lawsuits. In addition, make a technical adjustment to the changebook issue description to clarify no budget bill language is included.

Vote-Only Issue 5: Drug Courts

Description: The Governor's Budget provides $16.7 million General Fund for Drug Court programs in 2006-07, including $9.1 million for Comprehensive Drug Court Implementation (CDCI) Act programs, plus $7.6 million for the Drug Court Partnership program. Based on an analysis by the LAO that shows significant savings, the Subcommittee may wish to consider an expansion of CDCI Felony Drug Court. This issue was discussed by the Subcommittee at the April 20th hearing.

Background:

- **Drug Court Results:** In the March 2005 Final report on the CDCI, the DADP reported that adult drug court participants who completed the CDCI program averted a total of $42.8 million in prison costs, compared to $32.7 million in drug court expenditures, from January 1, 2001 through June 30, 2004. The ratio of prison costs avoided to drug court costs is 1.31 to 1. This cost offset ratio is based on the full $32.7 million funding for all CDCI programs, even though fifteen percent of this amount was allocated to drug courts other than adult felon courts, including juvenile drug courts and dependency drug courts. In addition to prison cost savings, drug courts also reduced homelessness and resulted in improved social outcomes, such as employment, school attendance and grades, and drug-free births.

- **LAO Analysis:** The LAO has reviewed the costs and savings associated with Adult (Felony) Drug Courts, and estimates that an increase in General Fund expenditures for Felony Drug Courts of $4 million in 2006-07 and $8.9 million in 2007-08 and annually thereafter would result in net savings to the state of $179,000 in 2007-08 and $7.9 million in 2008-09, due to reduced prison costs.

Recommendation: Increase CDCI Drug Court funding by $4 million General Fund to expand the Adult (Felony) Drug Court program.

4700 Department of Community Services and Development (DCSD)

Vote-Only Issue 6: Naturalization Services Program

Description: The Governor's Budget includes $1.5 million for the Naturalization Services Program (NSP). This program assists legal permanent residents obtain citizenship. The Urban Institute estimates that approximately 2.7 million Californians are eligible for but have not applied for citizenship. The Subcommittee discussed this issue on April 20th.

NSP Program Information: The NSP assists legal permanent residents obtain citizenship. This program funds local organizations that conduct outreach, intake and assessment, citizenship application assistance, citizenship testing and interview preparation. In 2005 the program is expected to assist an average of 12,000 individuals in the completion of citizenship applications. The program spends an average of $166 per client. Total funding for the program in 2005-06 was $1.5 million General Fund.

Positive outcomes as a result of NSP and citizenship include improved employment opportunities for citizens, and reduced caseload for state-only programs such as the Cash Assistance Program for Immigrants (CAPI), as citizens may quality for the federally-funded Supplemental Security Income (SSI) program. At the April 20th Subcommittee hearing, NSP service providers testified that NSP allocations were fully expended before the end of the year, and that additional funding would allow additional persons seeking citizenship to be assisted.

Recommendation: Due to the significant need for citizenship services and the benefits to the state and community of increased citizenship rates, provide an additional $1.5 million General Fund for this program, and adopt placeholder trailer bill language to codify NSP.

5160 Department of Rehabilitation (DOR)

Vote-Only Issue 7: Supported Employment Program

Description: The DOR funds services for persons with developmental disabilities primarily through its Supported Employment Program (SEP) and Work Activity Program (WAP). The Subcommittee may wish to consider a reimbursement rate increase for SEP providers. This issue was discussed by the Subcommittee on April 20th.

Background:

Supported Employment Program (SEP): SEP provides clients integrated employment opportunities and provides training and ancillary support services to enable clients to learn job skills and maintain employment. SEP services are provided in individual or group settings, and include assessment, specialized job placement services and job coaching. DOR estimates 7,119 consumers with developmental disabilities will be served through SEP in 2006-07.

SEP placement payments to providers for consumers with developmental disabilities referred from Regional Centers are $200 for intake, $400 for job placement, and $400 for job retention after 90 days of successful employment ($1,000 total). After a consumer is placed on the job, job coaching is provided at an hourly rate of $27.62. These intake, placement, job retention and job coaching rates also apply to other DOR consumers with non-developmental disabilities.

DOR pays placement rates to community rehabilitation programs (CRPs) for consumers who do not require supported employment services based on the cost of providing the service, with the average statewide rate of approximately $1,766. These services may include limited job coaching and follow along services.

Provider Rate Proposal: Providers are concerned that low SEP reimbursement rates are effectively limiting the number of new clients that can be served. The providers indicate that there has been one increase, not based on cost, in 20 years. They suggest that the current rate does not provide enough funding to recruit and retain competent job coaches, thus leading to a significant decrease in successful placements and an increase in those needing re-placement services.

Providers note there has been little or no increase in individual SEP placements in the last ten years statewide. The number of SEP placements resulting in successful employment has remained relatively flat about approximately 1,000 per year since 2000-01, when the department began separately tracking individual and group placements. **However, providers note that while the number of successful SEP placements has remained flat, the number of working-age adults with developmental disabilities has increased by an average of 3.8 percent each year since 1994, leaving many consumers underserved.** The Department of Developmental Services indicates that about 4,000 students with developmental disabilities leave school each year. Of those, approximately 2 percent receive SEP, 17 percent receive WAP, and 60 percent are served in day programs.

Providers suggest that a $10 per hour increase in the job coach hourly rate from $27.62 to $37.62 would provide sufficient resources to increase the number of qualified job coaches, and would result in more SEP placements and successfully employed consumers. Successful SEP placements and employment can avoid more costly day program placement.

Recommendation: Approve $974,000 ($207,000 General Fund) additional funding to increase the job coaching hourly rate by 10 percent above the three percent increase proposed in the Governor's Budget. Approve $2.8 million ($1.5 million General Fund) to increase the SEP placement payment for successful employment from $1000 to $2000. Adopt placeholder trailer bill language to implement these changes.

Due to insufficient information about the performance of SEP and WAP, and the flow of consumers between DOR and DDS, adopt Budget Bill Language to require the department to provide a comprehensive written report to the Legislature by February 1, 2007 that describes the performance outcomes of SEP and WAP, including historical data, how performance is measured, how many consumers reenter SEP due to loss of employment, and a reconciliation of the number, process, and outcomes for consumers who enter work activity programs through DOR and subsequently transfer to DDS.

5175 Department of Child Support Services (DCSS)

Vote-Only Issue 8: May Revision Caseload and Technical Adjustments

Description: The May Revision requests caseload and technical adjustments for the child support program as follows:

A. Child Support Program Basic Federal Incentives. It is requested that Item 5175-101-0001 be increased by $3,945,000 and Item 5175-101-0890 be decreased by the same amount to reflect lower than anticipated Child Support Program Basic Federal Incentives. The Governor's Budget assumed the receipt of $49,192,000 in federal child support incentives for local administration in 2006-07. Based on federal fiscal year 2004 performance data, the state anticipates receiving $3,945,000, or 8 percent, less in federal incentives. In order to maintain funding for local child support agencies at the level proposed in the Governor's Budget, an additional $3,945,000 General Fund is required.

B. Collection Enhancement Programs Federal Incentives. It is requested that Item 5175-101-0001 be increased by $452,000 and Item 5175-101-0890 be decreased by the same amount to reflect lower than anticipated federal incentives for the Collection Enhancement programs. The Governor's Budget assumed receipt of $1,850,000 in federal incentives for Collection Enhancement programs in 2006-07. The state anticipates receiving $452,000, or 24 percent, less in federal incentives for the Collection Enhancement programs. In order to maintain administrative expenditures for the Collection Enhancement programs at the level proposed in the Governor's Budget, an additional $452,000 General Fund is required.

C. Credit Card Fees for Non-Custodial Parents. It is requested that the DCSS pay the credit card fees for non-custodial parents who choose to make their child support payments using a credit card. The DCSS estimates the cost for paying the fees could range from $475,000 to $887,000, with a state share of approximately $150,000 to $300,000 General Fund. No additional funding is requested for this proposal as the anticipated transaction and other savings from the proposal will offset the state's cost. There is no specific budget action required to implement this proposal.

D. Technical Adjustment: California Child Support Automation System. It is requested that Item 5175-101-0890 be decreased by $454,000 as a technical adjustment to align the DCSS budget for the CCSAS-Child Support Enforcement (CSE) component with the costs stated in CSE Special Project Report #6 and that Item 5175-101-0001 be amended to reflect this change. There is a corresponding technical adjustment in the FTB budget (see Issue 29 in the FTB May Revision Letter).

E. Federal Trust Fund and Child Support Recovery Fund Adjustment. It is requested that Item 5175-101-8004 be increased by $3,663,000, Item 5175-101-0890 be decreased by the same amount and that Item 5175-101-0001 be amended to reflect these changes. Pursuant to federal guidelines, the DCSS transfers the federal portion of Child Support Assistance Collections (collections that reimburse the government the costs of providing public assistance) into a separate account called the Child Support Recovery Fund (CSRF). The DCSS must first use the federal child support collections for administrative program costs before drawing down Federal Trust Fund. Based upon most recent collections estimates, federal collections transferred to the CSRF will increase by $3,663,000 in 2006-07, reducing the need of Federal Trust Fund expenditure authority by the same amount.

F. Federal Trust Fund and Child Support Recovery Fund Flexibility Budget Bill Language. Amend Budget Bill language contained in Items 5175-101-0890 and 5175-101-8004 to allow collection revenue related adjustments to be made to the expenditure authority of the Federal Trust Fund local assistance item and CSRF upon approval of the Department of Finance. The 2005 Budget Act contains provisional language to allow the DCSS to request an increase or decrease in Federal Trust Fund and CSRF authority based on its most current estimate of federal child support collections pursuant to the provisions of Section 28.00 and subject to 30-day legislative notification. Since these changes are technical in nature, it is proposed to make these adjustments subject to Department of Finance approval only.

Recommendation: Approve issues A through E for May Revision caseload and technical adjustments. Amend issue F to require Legislative notification concurrent with adjustments to funding authority.

5180 Department of Social Services (DSS)

Vote-Only Issue 9: Child Welfare Services/Case Management System (CWS/CMS)

Description: The department requests various adjustments in funding and positions for the CWS/CMS automation system.

Background: CWS/CMS provides database, case management, and reporting functions to allow county and state users to track child abuse and neglect cases statewide. The CWS/CMS application hosting is currently being transferred from a private vendor location to the Department of Technology Services (DTS). The state Office of Systems Integration (OSI), in conjunction with DSS, is developing a request for proposal for a replacement system, known as the "New System" for CWS/CMS, as required by the federal government.

A. **Planning and Procurement for CWS/CMS "New System" (April 17th Finance Letter):** The department has requested funding and positions for planning activities associated with the development of a new web-enabled CWS/CMS. This request would provide resources to address the increased workload resulting from the development of a New System, while continuing critical oversight activities for the ongoing operation of the existing CWS/CMS. The department indicates these resources are necessary to ensure a timely and high-quality procurement process for this system, and that the requested resources are necessary to avoid project delays, cost over-runs, and poor system performance. The request includes $3.0 million ($1.5 million General Fund) and 4.0 positions in DSS, and an increase of $2.3 million in OSI. The total estimated seven year cost for the New System is $233 million, including one-time costs of $129 million and annual M&O costs of $65 million.

   The LAO recommends that the CWS/CMS New System consulting costs be reduced by $509,000, including 1) $286,000 for procurement assistance, as there are 6.0 state RFP positions being redirected from the Go Forward Plan, and 2) $223,000 for a consultant Project Manager, as a state project manager (DPM IV) is being redirected to manage the project.

B. **Extend Existing Vendor Maintenance Contract (May 8th Finance Letter):** The May Revision requests a reduction of $17.0 million ($8.5 million General Fund) in the DSS budget for a five-year extension of the current maintenance contract with IBM for CWS/CMS. The May Revision also requests a corresponding reduction of $5.5 million in OSI spending authority. This revised strategy would significantly reduce the costs of the current contract in exchange for a five-year extension that would include two optional one-year extensions. The requested approach also would eliminate the risk and transition costs resulting from multiple changes in vendors.

C. **CWS/CMS Disaster Recovery Services (May 12th Finance Letter):** The May Revision requests an increase of $2,143,000 ($1,072,000 General Fund and $1,071,000 Federal Trust Fund) to purchase disaster recovery services for the CWS/CMS from DTS. Prior to the March 2006 transfer of CWS/CMS hosting services from IBM Global Services (IBM) to the DTS, disaster recovery services were provided under the combined hosting and maintenance services contract with IBM. Now that the CWS/CMS is hosted at the DTS, the state must secure disaster recovery services for the application.

D. **CWS/CMS Workstations:** County welfare departments have expressed concern that the CWS/CMS budget does not include funding for a workstation replacement schedule. Counties indicate that the Gartner Group, a nationally recognized independent information technology expert, recommends replacing computer workstations every three to five years. A number of CWS/CMS workstations were installed in 2002-03, and will be four years old in 2006-07. The cost to replace the workstations that are four years old would be $5.4 million ($2.6 million General Fund). The LAO supports the need for CWS/CMS workstation replacement.

Recommendation: Approve issue A, as revised by the LAO. Approve issues B and C as requested in the May Revision. Approve issue D, funding for CWS/CMS workstation replacement.

Vote-Only Issue 10: CMIPS and CMIPS II Procurement

Description: The May Revision includes various adjustments to funding for the existing Case Management, Information and Payrolling System (CMIPS) automation system and the new CMIPS II procurement. CMIPS is a 20 year-old system that supports the In-Home Supportive Services (IHSS) program. Development of the new system, known as CMIPS II, is necessary to meet state and federal program requirements for IHSS.

Background: Analysis and preparation for the procurement of CMIPS II has been ongoing since 1999-00. Final bidder proposals are due in May 2006, the contract is expected to be awarded in January 2007, and DSS anticipates 3 years for full project roll-out, though the schedule will depend on the vendor bids. The earliest complete statewide rollout would be January 2010. The Governor’s Budget included $25.6 million ($13.7 million General Fund) for CMIPS II. However, this funding may not be fully expended in 2006-07, since the contract award date was pushed back by two months after development of the Governor’s Budget.

A. **Office of Systems Integration (OSI) CMIPS II Procurement:** The Health and Human Services Agency Office of Systems Integration (OSI) manages procurement of CMIPS II. In 2005-06 there were 12 OSI and 4 DSS positions for CMIPS II procurement and implementation. The May Revision requests that $1.0 million be redirected within the OSI budget to support the continuation of 12 limited-term positions due to expire June 30, 2006.

Of the 12.0 positions, it is requested that 6.0 limited-term positions be converted to permanent and 6.0 limited-term positions be extended through June 30, 2007.

Six positions have been allocated to the CMIPS II since the initiation of the project to plan, develop, and release a request for proposals. These positions will be needed for the remainder of the planning and procurement phase through implementation to address workload associated with executing and managing the prime-vendor contract and administering the project. Therefore, it is requested that the 6.0 positions be made permanent.

Six additional limited-term positions are requested to be extended through June 30, 2007. These limited-term positions were established to prepare for and support the design, development, and implementation (DDI) phase. They will address workload associated with contract management, project scheduling, requirements validation, quality assurance, and technical support.

B. **DSS Existing CMIPS:** The existing CMIPS provides client case management and provider payrolling functions for the In-Home Supportive Services (IHSS) program. Development of CMIPS began in 1979. Maintenance and operating costs for CMIPS are $11.9 million ($4.1 million General Fund) annually. These costs are budgeted in DSS only. The May Revision requests an increase of $722,000 ($447,000 General Fund and $275,000 Reimbursements) for CMIPS enhancement activities associated with the federal IHSS Waiver and the IHSS Quality Assurance (QA) Initiative. This augmentation is a shift from 2005-06 funding due to a delay in completion of CMIPS enhancements.

C. **Reappropriation of Independent Verification & Validation Funding for CMIPS II:** The May Revision requests that Item 5180-492 be added to authorize the reappropriation from 2005-06 to 2006-07 of unspent Independent Verification & Validation contract funding due to delayed CMIPS II procurement activities.

D. **CMIPS Direct Deposit:** IHSS providers do not currently have the option of receiving their paychecks via direct deposit, although the CMIPS II system will provide that functionality when completed. The Subcommittee may wish to consider establishing an option for workers to be paid via direct deposit now, under the existing CMIPS. Estimated costs to implement this option are approximately $512,000 ($256,000 General Fund) in 2006-07. Those costs include CMIPS programming costs and SCO costs. DSS estimates it would take approximately 12 months to complete the CMIPS programming changes. Second year costs would range from $386,000 to $758,000, depending on how initial outreach mailings are provided. Direct deposit is a safe, confidential, and efficient way for IHSS providers to receive their paychecks. Advantages of direct deposit include the elimination of lost, stolen, or delayed paychecks, reduced processing time, elimination of delays caused by change of address, and elimination of the cost and inconvenience of check cashing for providers.

Recommendation: Approve issues A, B, and C. For issue D, redirect funding from CMIPS II procurement to fund CMIPS and SCO activities to implement direct deposit for IHSS providers in 2006-07, and adopt necessary placeholder trailer bill language.

Vote-Only Issue 11: SAWS and Other Automation Project Adjustments

Description: The May Revision requests a variety of adjustments for the Statewide Automated Welfare System (SAWS) and other projects managed for DSS by the Office of Systems Integration (OSI).

Background:

A. **SAWS Interface Testing.** The May Revision requests an increase of $1,453,000 ($557,000 General Fund, $354,000 Federal Trust Fund, and $542,000 Reimbursements) for costs associated with interface testing between the Statewide Automated Welfare System consortia and the California Child Support Automated System (CCSAS). Budget Bill language is requested to require that SAWS perform interface testing between SAWS and CCSAS within the revised amount appropriated for SAWS maintenance and operations.

B. **Interim SAWS (ISAWS) Migration.** The May Revision requests a decrease of $238,000 ($90,000 General Fund, $69,000 Federal Trust Fund, and $79,000 Reimbursements) due to reduced legal costs associated with the ISAWS Migration project.

C. **SAWS Legacy Systems Savings.** The May Revision includes an updated cost allocation plan for SAWS legacy system savings. As a result the May Revision includes an increase of $2,312,000 Federal Trust Fund in CalWORKs and a decrease of $425,000 ($175,000 General Fund and $250,000 Federal Trust Fund) in the Foster Care and Food Stamp programs.

D. **Remove Price Increase for OSI.** The Governor's Budget inadvertently included a price increase for the automation projects managed by the OSI, including CMIPS, SAWS, EBT, CWS/CMS, and SFIS. The adjustment was calculated based on the OSI's total 2004-05 operating expenses and equipment budget. However, most OSI OE&E expenditures are for contract services which do not meet the criteria for a price adjustment. The May Revision requests various adjustments in DSS local assistance and OSI expenditures to remove the price increase.

E. **CalWIN Help Desk Staff.** The budget proposes to increase total county Help Desk staff from 127 to 195, at a cost of $4.4 million. However, counties note that the Administration has costed the proposed Help Desk Staff at 1999 salary levels, which effectively reduces the number of help desk staff below the requested number, since counties must pay current salary rates. The cost to fund help desk staff at current salary levels would be an additional $5.0 million ($1.9 million General Fund). Counties note that other SAWS systems have a lower number of users per help desk staff than CalWIN, and that help desk staff will be particularly important as counties implement CalWORKs reporting changes due to the Deficit Reduction Act of 2005. The LAO notes that the information provided by the department does not reflect workload estimates and metrics, and that the appropriate staffing level cannot be determined without these kinds of metrics. The LAO recommends denial of this funding until real metrics are provided.

Recommendation: Approve issue A funding, but amend the proposed Budget Bill Language to express Legislative intent that development and testing of the SAWS CCSAS interface be considered a high priority for SAWS consortia, county welfare departments, the Department of Social Services, the Office of Systems Integration, the Department of Child Support Services, the Franchise Tax Board, and local child support agencies. Approve issues B, C, and D, and for Issue E, adopt $5 million ($1.9 million General Fund) to accurately fund the cost of help desk staff.

Vote-Only Issue 12: May Revision Caseload Adjustments

Description: The May Revision proposes adjustments in funding to reflect caseload updates for CalWORKs, Foster Care, Adoptions Assistance, IHSS, SSI/SSP, Food Stamps Administration, and Child Welfare Services.

Background: The May Revision proposes a reduction of $106,650,000 ($12,749,000 General Fund, $103,428,000 Federal Trust Fund, and $30,000 Child Support Collections Recovery Fund, and an increase of $9,506,000 Reimbursements and $51,000 Emergency Food Assistance Fund), due to the impact of caseload changes since the Governor's Budget. The May Revision reflects the following average monthly caseload in 2006-07, compared to 2005-06 caseload:

- **CalWORKs:** 475,000 cases (0.3 percent decrease)
- **Non-Assistance Food Stamps:** 563,000 cases (8.5 percent increase)
- **SSI/SSP:** 1,241,000 cases (2.4 percent increase)
- **In-Home Supportive Services (IHSS):** 378,000 cases (6.9 percent increase)
- **Foster Care:** 75,000 cases (0.4 percent increase)
- **KinGAP:** 15,000 cases (0.8 percent increase)
- **Adoptions Assistance Program (AAP):** 75,000 cases (7.7 percent increase)
- **Child Welfare Services:** 160,000 cases (1.6 percent decrease)

May Revision Caseload Adjustments

Program	Item	Change Since Governor's Budget
CalWORKs	5180-101-0001 5180-101-0890 5180-601-0995	$1,342,000 -$104,652,000 -$266,000
Foster Care	5180-101-0001 5180-101-0890 5180-101-8004 5180-141-0001 5180-141-0890	-$7,771,000 -$9,334,000 -$30,000 $315,000 $171,000
Adoption Assistance Program	5180-101-0001 5180-101-0890	$2,971,000 $2,646,000
Supplemental Security Income/State Supplementary Payment (SSI/SSP)	5180-111-0001	-$21,881,000
In-Home Supportive Services (IHSS)	5180-111-0001 5180-611-0995	$3,817,000 $10,305,000
Child Welfare Services (CWS)	5180-151-0001 5180-151-0890 5180-651-0995	-$1,981,000 $1,294,000 -$144,000
Other Assistance Payments	5180-101-0001 5180-101-0122 5180-101-0890	$2,115,000 $51,000 $233,000
County Administration and Automation Projects	5180-141-0001 5180-141-0890 5180-641-0995	$5,651,000 $7,039,000 -$404,000
Remaining DSS Programs	5180-151-0001 5180-151-0890 5180-651-0995	$2,673,000 -$825,000 $15,000

Recommendation: Approve the May Revision adjustments in funding due to caseload updates, and adopt $1.7 million General Fund savings in Adoptions Assistance Program due to revised caseload estimate identified by the LAO.

Vote-Only Issue 13: Prospective Budgeting Estimate Adjustment

Description: The May Revision requests an increase of $44.2 million TANF to reflect a reduction in the eligibility determination savings assumed to result from Quarterly Reporting/Prospective Budgeting (QR/PB). This increase is in addition to a $25.0 million placeholder included for this purpose in the Governor's Budget. Based on an analysis of time study data submitted by the counties, the Administration has confirmed that the QR/PB system initially requires more contact time between county case workers and CalWORKs clients than was previously anticipated.

In addition, additional time study information has become available that indicates an adjustment of $9.6 million ($3.4 million General Fund) should be made in funding for Food Stamp eligibility activities.

Recommendation: Approve the requested adjustment, and adopt an adjustment of $9.6 million ($3.4 million General Fund) for Food Stamp eligibility.

Vote-Only Issue 14: 2004 Welfare Reform (SB 1104) Savings Adjustment

Description: The May Revision requests an increase of $15.6 million TANF to reflect a reduction in savings associated with the 2004-05 SB 1104 welfare reform efforts. The department indicates that savings are reduced due to a delay in commencing county visits combined with expanding the scope of data collection efforts to address the potential impact of federal TANF Reauthorization legislation.

The fiscal impact of the CalWORKs reforms included in SB 1104 – the human services trailer bill for the 2004-05 budget, has been difficult to estimate. For example, the estimated net fiscal impact of this issue for state fiscal year 2005-06 has ranged from $8.5 million savings in November 2004, to $18.8 million savings in May 2005, to $8.8 million cost in November 2005, to $12.2 million cost in May 2006. Similarly, the fiscal estimate of this issue for 2006-07 has ranged from $27.9 million savings in November 2005 to $11.4 million savings in May 2006.

Recommendation: Due to the difficulty of predicting the fiscal impact of this issue, staff recommends a more conservative estimate of the savings. Amend the May Revision adjustment to reflect an additional $5 million reduction in the estimated savings.

Vote-Only Issue 14A: LAO CalWORKs Caseload Adjustment

Description: The LAO indicates the May Revision overstates CalWORKs caseload trends by $24 million TANF/MOE.

Recommendation: Approve $24 million TANF/MOE reduction to reflect LAO estimate.

Vote-Only Issue 15: Stage 2 Child Care TANF Transfer Adjustment

Description: The May Revision requests that language in Item 5180-402 be modified to decrease the amount of TANF Block Grant funding to be transferred to the Department of Education for CalWORKs child care from $402,518,000 to $369,120,000 due to a decreased cost-per-case projection for Stage 2 child care.

Recommendation: Adopt the proposed adjustment.

Vote-Only Issue 16: Rosales v. Thompson Adjustment

Description: The May Revision requests a decrease of $1.9 million ($1.2 million General Fund) to reflect a larger shift from state-only to federal foster care and a lower number of cases that shifted from CalWORKs to federal foster care as a result of the *Rosales v. Thompson* court decision and the assumed impact of the federal Deficit Reduction Act of 2005 on this court ruling. The decrease in Foster Care assistance payments is expected to more than offset the increased CalWORKs grant costs. The May Revision also reflects a decrease of $20,000 ($8,000 General Fund) to reflect lower foster care administration due to the revised caseload projection as a result of the *Rosales v. Thompson* court decision and the assumed impact of the federal Deficit Reduction Act of 2005.

Recommendation: Approve the requested adjustment.

Vote-Only Issue 17: Reappropriation Authority for Welfare Fraud Recovery Incentives

Description: The May Revision requests that Item 5180-493 be added to authorize the reappropriation of unspent fraud recovery incentive funds previously allocated to counties in 2000-01 and 2001-02. The reappropriation is necessary to ensure that the funds provided to counties pursuant to Welfare and Institutions Code Section 11486(j) continue to be available for expenditure.

Recommendation: Approve the requested reappropriation authority.

Vote-Only Issue 18: Food Stamp Standard Utility Allowance Adjustment

Description: The May Revision requests an increase of $129,000 General Fund to reflect the impact to the California Food Assistance Program (CFAP) due to mid-year adjustment of the Standard Utility Allowance (SUA). This adjustment will increase benefits to which Food Stamp and CFAP recipients are entitled. The increased CFAP costs are expected to be more than offset by the increased revenue generated by the subsequent increase in recipients' purchases of taxable goods. This proposal would adjust the SUA two months prior to when this adjustment would normally occur pursuant to state regulations. The requested increase in this issue is for the cost of the two-month period only; funding for the cost of the remaining months of the adjustment is included in the Other Assistance Payments caseload issue. It is requested that Budget Bill provisional language be added to facilitate future mid-year adjustments to the SUA.

Recommendation: Approve the requested adjustment.

Vote-Only Issue 19: IHSS Share of Cost Adjustment

Description: The May Revision requests an increase of $17,162,000 General Fund for the continuing application of Medi-Cal Share-of-Cost (SOC) rules to IHSS recipients. This is required to prevent certain IHSS recipients from paying a higher SOC and is consistent with the Administration's intent to protect recipients' access to services under the recent federal Waiver.

Recommendation: Approve the requested adjustment.

Vote-Only Issue 20: Deficit Reduction Act of 2005: Impact to SSI/SSP

Description: The May Revision requests a decrease of $20,865,000 General Fund to reflect the impact of the federal Deficit Reduction Act of 2005 on the SSI/SSP program. The federal government will be performing more frequent eligibility redeterminations, which will result in modest ongoing General Fund savings, and make retroactive benefit payments quarterly rather than as a single lump-sum, which will result in significant one-time General Fund savings.

Background: The Deficit Reduction Act of 2005, approved by Congress and the President in February 2006, included changes to many health and human services programs, including SSI/SSP. The provisions affecting SSI/SSP include: 1) Additional eligibility reviews by the Social Security Administration (SSA) of SSI disability allowances, and 2) Lump sum retroactive payment limits of no more than three months worth of benefits. Both provisions will result in General Fund savings for the state's SSP portion of the SSI/SSP grant.

- **Eligibility Reviews:** The department's estimate of savings for this issue is based on the following assumptions:

    - Beginning March 1, 2006, 25 percent of SSI disability allowances will be reviewed by SSA. Starting October 1, 2006, 50 percent of disability allowances will be reviewed.
    - Based on State Data Exchange (SDX) data through February 2006, the average number of allowances is 15,616 cases each month.

- Statistical data from the Disability Evaluation Division reflect approximately 1 percent of all allowances are returned due to decisional errors.
- In 2005-06, 156 cases will be returned as ineligible. In 2006-07, 820 cases will be returned as ineligible.

- **Lump Sum Retroactive Payments:** The department's estimate of savings for this issue is based on the following assumptions:

  - Lump sum retroactive payments will be limited to no more than three months' worth of benefits per installment effective June 1, 2006. Prior to the change, up to 12 months' worth of benefits were payable per installment.
  - Retroactive payments are paid in a maximum of three installments.
  - Based on SDX data through January 2006, there are 3,459 cases per month entitled to receive retroactive benefits in amounts greater than three times the SSI/SSP maximum grant.
  - For savings due to the change in retroactive payments, the level of payments prior to the change was compared to the new payment schedule, with the difference reflecting the savings. Over time, the same amount of benefits will be paid, just over a longer period of time.

Recommendation: Approve the requested adjustment.

Vote-Only Issue 21: Tyler v. Anderson

Description: The May Revision requests an increase of $291,000 General Fund to reflect the shifting of funding from 2005-06 for *Tyler v. Anderson* settlement costs. This lawsuit was the result of misinterpretation of the range of motion services coverage under IHSS. Some counties authorized range of motion services, while others did not. Due to a delay, the majority of outstanding settlement payments is expected to be made in 2006-07.

Recommendation: Approve the requested adjustment.

Vote-Only Issue 22: IHSS Federal Waiver Program Requirements

Description: The May Revision requests an increase of $1,618,000 ($681,000 General Fund and $937,000 Reimbursements) to implement recent federal direction resulting from the ongoing development of IHSS Independence Plus Waiver guidelines. As a condition of the Waiver, the federal government requires the collection of emergency contact and backup plan information from IHSS recipients, which will result in increased IHSS administration costs. This information will be collected on a form, to be developed by DSS, to be completed at the time of the IHSS consumer's assessment and reassessment. The requested funding reflects the additional county social worker time to perform the assessment or reassessment.

Recommendation: Approve the requested adjustment.

Vote-Only Issue 23: Conlan v. Shewry

Description: The May Revision requests an increase of $990,000 ($495,000 General Fund) and establishment of 0.5 one-year limited-term position to comply with the pending *Conlan v. Shewry* court decision that is expected to require the DSS to provide notification for retroactive reimbursement payments for Medi-Cal services received and paid for by certain IHSS consumers. This request would provide a base level of resources to implement the specific requirements of the court ruling. The May Revision also requests Budget Bill language to allow the transfer of funding to state operations for the appropriate level of resources to manage actual workload that materializes from the final *Conlan v. Shewry* court order.

Background: Since 1997, the Department of Health Services (DHS) has been involved in litigation resulting in the decision of Conlan I and Conlan II. The litigation involves reimbursing Medi-Cal beneficiaries for medical expense received and paid for but not reimbursed for the three months prior to their application date and up to the date of eligibility. In Conlan I, the court held that under 42 U.S.C. section 1396a(a) (10) (B) the DHS was required to implement a process by which Medi-Cal beneficiaries may obtain prompt reimbursement for covered services. Following the issuance of Conlan I, the DHS submitted a proposed Compliance Plan (Plan) to the trial court. The trial court concluded that the provisions were invalid and refused to approve the Department's Plan without modification to the Plan's disputed provisions. It is anticipated that the Court of Appeals will rule on the implementation plan prior to June 2006. Prior to the final court ruling, this SFL is based on the DHS plan and provides a preliminary estimate on potential impacts and assumes that the court ruling will allow the Department only 60 days to implement the court order requirement.

In Conlan II, the Court of Appeal addressed five key issues relevant to the Plan's implementation. Ultimately, the court held that the Department is required to: 1) send notice of the new monetary reimbursement process available to all current and former Medi-Cal recipients who may have claims arising on or after June 27, 1997; 2) provide monetary reimbursement to any individual who has a valid claim for reimbursement arising on or after June 27, 1997; 3) provide reimbursement for valid claims arising from the date an application for Medi-Cal benefits is submitted to the date that the application is granted (the "evaluation period"); 4) provide reimbursement for services rendered by non-Medi-Cal providers if the services were provided during the retroactivity period (the Department is not required to provide reimbursement for services rendered by non-Medi-Cal providers during the evaluation period); and, 5) for valid claims, reimburse the beneficiary the amount paid.

Based on recent discussions with DHS regarding the implementation plan, the California Department of Social Services (CDSS) has developed the process to implement the provisions of Conlan II. DHS will send all claims for retroactive PCSP/IPW benefits to CDSS for processing. DSS will complete the first level of review for the validity of the claim, issue payments for those claims that are approved, and where appropriate, issue denials. For cases that require additional information that the county can supply, (ie. utilizing county files, etc), counties will assist in the adjudication Conlan II claims. DSS estimates that from the 750,690 number of potential eligible IHSS recipients for retroactive benefits from 1997-2006 that only 2.6% will actually file a claim for retroactive benefits resulting in approximately 19,500 claims being submitted for review. To assist the Adult Programs Branch with this new workload, the Department requests $698,000 in one year funding for contractor services equivalent to 7.0 state positions to perform the claims processing activities and provide technical assistance to the counties. In addition to the claims processing resources, the Department also requests $240,000 in contract funds and an .5 one year-limited term Staff Services Analyst/Associate Governmental Program Analyst (SSA/AGPA) to complete the necessary modifications to the Case Management, Information and Payrolling System (CMIPS) needed to comply with the anticipated Conlan II court decision.

The department indicates that the resources requested will ensure the provisions of Conlan II are met. DSS will be able to develop the policies and procedures for the Conlan II court decision, provide instructions to the counties, process 19,500+ claims, provide technical assistance and guidance to the counties on the implementation of the Court of Appeals plan and process the payment of beneficiary claims. Current staffing in the Adult Programs Branch is currently inadequate to handle the additional workload implementation and the claims processing the court order requires.

County Workload: Counties indicate concern that funding or provisional authority has not been provided to reflect additional county workload.

Recommendation: Approve $990,000 ($495,000 General Fund) and establishment of 0.5 one-year limited-term position to comply with the pending *Conlan v. Shewry* court decision. Approve BBL to allow transfer of funding to state operations, but amend the language to require Legislative notification. In addition, adopt BBL to require an estimate of the county impact of Conlan by October 1, 2006, and the provision of additional funding to counties to reflect increased workload.

Vote-Only Issue 24: IHSS Quality Assurance

Description: The 2004-05 Budget Act established an IHSS Quality Assurance (QA) program to make county determinations of service hours consistent throughout the state, and to comply with federal waiver requirements.

On March 23rd, the Subcommittee heard an update from the department on implementation of QA, and also heard public testimony about concerns with the development process for the QA Hourly Task Guidelines. After the hearing, advocates made four specific requests:

1. Completion of a Consumer Survey for consumers who participated in the field test of the Hourly Task Guidelines Task Tool;
2. Clarification on the timelines and approval process for exceptions that would allow consumers to receive hours that are outside of average range of time. More specifically, clarification on this data and additional information about how exceptions will be processed by IHSS supervisors after the social worker has completed the assessment/reassessment.
3. Further examination of the raw data of the field test.

4. Maintain ongoing IHSS Stakeholder meetings with DSS to formulate performance standards for the QA initiative (that is, how will we know its effect on consumers), review performance data and assess whether adjustments are merited in the Hourly Task Guideline regulations and time ranges.

The Department has agreed to continue the stakeholder process after the regulations have been adopted. DSS and staff are working on language to reflect this agreement in the budget bill.

Recommendation: Conform to Assembly action taken on this issue on May 3rd as follows:

A. Adopt Supplemental Report Language to require DSS to report to the Legislature quarterly on the IHSS utilization data by county, task, and client level. The data will also report the number of exceptions by county, task and client level.
B. Adopt Budget Bill Language to require DSS to report at budget hearings on the impact of the IHSS QA regulations.

Vote-Only Issue 25: Administrative Hearings for IHSS

Description: The May Revision requests that Budget Bill provisional language be added to Item 5180-111-0001 to authorize the transfer of funds to state operations for administrative hearing costs in the SSI/SSP and IHSS programs. This language would be consistent with existing provisional language for the administrative hearing process in the CalWORKs program.

Recommendation: Adopt amended provisional language to add Legislative notification.

Vote-Only Issue 26: Cash Assistance Program for Immigrants (CAPI)

Description: The May Revision maintains the Governor's Budget proposal to extend the deeming period for the Cash Assistance Program for Immigrants (CAPI) from ten to fifteen years for immigrants who entered the country on or after August 22, 1996. This five year extension results in General Fund savings (cost avoidance) of $12.5 million in 2006-07 and $40 million in 2007-08, and is expected to prevent 2,500 applicants from qualifying for CAPI in 2006-07, and 3,000 applicants from qualifying in 2007-08. Advocates have expressed concern that this proposal would deny CAPI eligibility for low-income elderly and disabled immigrants that have been in the United States for ten years, and who have language or disability barriers that make it very difficult for them to become citizens.

Background:

- **CAPI Program Description:** The CAPI program was established in 1998 to provide cash benefits to aged, blind and disabled legal immigrants who became ineligible for SSI as a result of welfare reform. This state-funded program is overseen by DSS and administered locally by counties. CAPI grants are $10 less than SSI/SSP grants for individuals and $20 less than SSI/SSP grants for couples. CAPI caseload is projected to decrease by 2.8 percent in 2006-07, to 7,817 average monthly recipients. Total funding for the CAPI program is estimated to be $77.3 million General Fund in 2005-06 and $75.5 million General Fund in 2006-07.

- **CAPI Program Eligibility:** Federal law generally limits SSI/SSP benefits for legal immigrants to refugees for seven years, aged and/or disabled persons who were on aid before August 22, 1996, or who were legally residing in the country on August 22, 1996 and subsequently become disabled. In response, California created the CAPI program in 1998 to provide state-only benefits to low-income elderly legal immigrants who meet specified criteria.

- **Deeming Period:** CAPI applicants who entered the US on or after August 22, 1996 are currently subject to a ten year deeming period, which means for ten years after entering the country, both the applicant and sponsor's income and resources are counted when determining CAPI eligibility (unless the sponsor is dead, disabled or abusive, or another deeming exception can be applied). The ten year deeming period will begin to expire for some CAPI beneficiaries and applicants as soon as August 22, 2006. Under current law, DSS estimates that an additional 250 individuals would become eligible for CAPI each month beginning in September 2006.

- **Deeming Extension:** The Administration's proposal would require a sponsor's income and resources to continue to be considered for another five years, preventing an estimated 2,500 applicants from qualifying for CAPI in 2006-07, and 3,000 applicants from qualifying in 2007-08. The total deeming period would be fifteen years.

- **Impact of Deeming Extension for CAPI Applicants:** The people prevented from qualifying for CAPI under this proposal are low-income elderly or disabled legal immigrants who have lived in the US for at least ten years. While many immigrants who have lived in the US for that length of time have become citizens, for elderly or disabled immigrants the citizenship process can be far more difficult due to language, transportation, and other barriers. In addition, after ten years some sponsors have stopped providing assistance due to their own age or infirmity, leaving some CAPI applicants with no means of support except General Assistance in some counties. A fifteen-year deeming period would increase the risk of homelessness, hunger, and illness among this group of immigrants.

Recommendation: Reject the Governor's proposal and maintain the current ten-year deeming period for CAPI applicants.

Vote-Only Issue 27: Federal IV-E Funding Backfills

Description: The May Revision requests funding adjustments to reflect recent determinations that certain claims or activities do not qualify for federal IV-E funding.

A. **CWS Case Management Costs:** The May Revision requests a net decrease of $84,000 (an increase of $195,000 General Fund and a decrease of $279,000 Federal Trust Fund) to backfill the loss of federal Title IV-E funds for CWS case management activities that are no longer eligible under the federal Deficit Reduction Act of 2005.

B. **Backfill for CWS Training:** The May Revision requests a net increase of $1,818,000 (an increase of $1,924,000 General Fund and a decrease of $106,000 Federal Trust Fund) to backfill the reduction of federal Title IV-E funds for certain social worker training activities that do not qualify for enhanced federal financial participation. The federal Administration for Children and Families has recently determined that certain child welfare training costs are not eligible for Title IV-E funding at the 75 percent rate and only qualify for the Title IV-E administrative rate of 50 percent.

C. **Backfill CWS Program Improvement Costs:** An increase of $3,497,000 General Fund and a corresponding decrease of $3,497,000 Federal Trust Fund is requested to backfill the costs of certain PIP and CWS Program Improvement Project activities that are ineligible for federal Title IV-E funding. This request would proactively address the appropriate claiming of federal funds for only those activities that are eligible for Title IV-E funding and likely would avoid future federal disallowances for these costs.

D. **CWS Emergency Hotline Costs:** The May Revision requests an increase of $7,566,000 in federal TANF Block Grant funding to backfill a corresponding decrease in federal Title IV-E funds for certain ineligible CWS Emergency Hotline costs. This results in no net change in federal expenditure authority.

Recommendation: Approve issues A, B, and C. Deny issue D, as TANF funds are needed to support the CalWORKs program, particularly in light of the increased work participation rate requirements and significant federal penalties for not meeting that rate.

Vote-Only Issue 28: CWS Standardized Statewide Training

Description: The May Revision requests an increase of $16.9 million ($6 million General Fund) for additional county social worker training stipulated under the statewide standardized core curriculum for all county child welfare workers. Increased training for county social workers is a key component of the state's approved Program Improvement Plan (PIP) and Title IV-B Children and Family Services Plan to improve the overall performance of the state in meeting federal child welfare outcome measures.

Recommendation: Approve the requested funding.

Vote-Only Issue 29: Title IV-E Waiver

Description: May Revision requests $25.5 million ($10.0 million General Fund) for first year costs for counties that formally commit to participate in 2006-07 in the state's new Title IV-E Child Welfare Waiver Demonstration Project.

This waiver proposal will test a "capped allocation" strategy that will block grant federal Title IV-E foster care funds for up to 20 participating counties. This strategy will permit the flexible use of these funds on early intervention and prevention services in order to reduce the reliance on out-of-home care, promote reunification, and address required state and federal outcomes for child safety, permanence, and well-being. Budget Bill provisional language and trailer bill language are requested to authorize the transfer of funds to and from a newly-created Title IV-E Waiver item for counties that choose to participate in the state's Title IV-E Waiver.

Recommendation: Approve the requested funding. Amend the budget bill language to include Legislative notification. Adopt the trailer bill language as placeholder language, and add provisions that provide flexibility in allowing the $10 million to be used for either the waiver or AB 636 outcome improvements.

Vote-Only Issue 30: Group Home Audit Threshold

Description: Currently all California Group Homes with annual expenditures above $300,000 must undergo an annual financial audit. The federal government has raised its required threshold for annual audits to $500,000, but the State requirements have remained at the $300,000 threshold.

At least two group homes that exceed $300,000 per year in total expenditures but spend less that the federal threshold of $500,000 have raised concerns that this audit requirement results in $5,000 to $10,000 additional administrative costs each year. These group homes would like to increase the State threshold to the federal minimum level. These group homes also comment that a recent federal change will deny federal reimbursements for audits below the federal threshold.

Recommendation: Adopt Placeholder Trailer Bill Language to set the audit threshold for group homes at the level reimbursed by the federal government.

Vote-Only Issue 31: Group Home Rate Relief Provisions

Description: Foster Care group home rates have been increased in only four of the last fourteen years. Although the Consumer Price Index has increased by over 52 percent since 1990-91, group home rates have increased by 27 percent in that time. Group home providers have requested a rate increase in 2006-07, continuance of existing rate relief provisions that mitigate some of the effects of increased costs of doing business, and simplification of the Rate Classification Levels for group homes.

Background: The Legislature adopted group home rate relief provisions in 2002-03, 2003-04, 2004-05, and 2005-06. These provisions allowed facilities more flexibility in the Rate Classification Levels, but do not result in additional General Fund costs. Group home providers have requested continuance of these rate relief provisions in 2006-07.

Recommendation: Approve placeholder trailer bill language to continue group home rate relief in 2006-07.

Vote-Only Issue 32: Community Care Licensing Caseload Transfer

Description: The May Revision requests a shift of $108,000 General Fund from local assistance to state operations and 1.5 permanent positions in state operations to manage the workload associated with the transfer of the Family Child Care Home (FCCH) licensing caseload from Marin County to the state effective July 1, 2006. This request is consistent with statutory mandates that require the state to perform licensing oversight and facilities evaluation functions in the event counties fail to perform these activities.

Recommendation: Approve the requested shift from local assistance to state operations to reflect the shift in licensing workload from Marin County to DSS Community Care Licensing.

Vote-Only Issue 33: Community Care Licensing Web Site

Description: Unlike skilled nursing facilities, information on the number and types of complaints and citations for community care facilities is not available to consumers on the internet, and reports comparing the performance of facilities are not available to the public or policymakers. Compliance information is available to the public, but generally only through an in-person visit or telephone call to a CCL district office. CCL staff must manually review a case file to determine the compliance history of a facility. The department indicates that licensing data is contained within a number of connected data systems. These systems are connected, but not in such a way as to easily allow all data to be combined or queried.

On March 30th the Subcommittee adopted placeholder trailer bill language requiring the department to submit a written plan to the Legislature by March 1, 2007 that outlines the system changes and options to provide compliance history and civil penalty information for CCL facilities to the public via the internet. At the request of the Subcommittee, the Department has provided a cost estimate to begin providing CCL information to the public on the internet. The Department estimates that it will cost $366,000 General Fund. The funding would pay for the following items:

Positions: $266,000: Two (2.0) Associate Programmer Analysts for ISD and one (1.0) AGPA for CCLD, and necessary operating expense support for the positions.

Computing Services: $100,000: Contract with DTS for services and support to host the web site.

The Subcommittee has received substantial feedback from advocates and consumers advocating for more public information of the compliance history of licensed facilities.

Recommendation: Revise previous action on this issue, and conform to Assembly. Adopt $366,000 General Fund and 3.0 positions.

Discussion Agenda

5175 Department of Child Support Services (DCSS)

DCSS Issue 1: Child Support Transitional Arrearages

Description: The May Revision requests $28.5 million ($25.5 million General Fund) to resolve an issue with creation of arrears (outstanding child support obligations) due to a payment processing change implemented by the state. In developing the California Child Support Automation System (CCSAS), the state changed the method by which the date of payment for child support is recorded from the date of withholding from a non-custodial parent's (NCPs) wages to the date the payment is received by the state. This change has resulted in the creation of an arrearage balance for some NCPs. This proposal will allow the state to make payments on behalf of affected NCPs in 2006-07 to clear their arrearage balances and require the NCPs to repay these obligations upon termination of their child support orders.

Of the $28.5 million requested, $23 million would be for arrears payments, $1.5 million would be for the mailing of notification forms and local child support agency staff time to set up receivable accounts and respond to customer inquiries, and $4.0 million would be for automation system enhancements and system queries to identify NCPs affected by this issue. In addition, $1.0 million General Fund is requested for CCSAS automation changes in the Franchise Tax Board (FTB) budget. Budget Bill language is also proposed to: (1) provide the Department of Child Support Services (DCSS) with authority to make the transitional arrearage payments, and (2) to make the expenditure of the automation funding contingent upon review and approval of the Advance Planning Document/Special Project Report by the Department of Finance and subject to 30-day legislative notification.

Trailer bill language is also proposed to: (1) declare that the DCSS has the authority and discretion to prevent, correct, or remedy any impacts resulting from untimely receipt of child support due to implementation of the CCSAS State Disbursement Unit and (2) establish a statutory monthly interest calculation methodology based on the total arrears outstanding on the last day of the month, taking into account all payments received during the current month.

Recommendation: Approve the requested funding and language.

5180 Department of Social Services (DSS)

DSS Issue 1: California Work Opportunity and Responsibility to Kids (CalWORKs) – TANF Reauthorization

[please see handout]

DSS Issue 2: Regional Market Rate for CalWORKs Child Care

Description: The May Revision requests an increase of $8,101,000 Federal Trust Fund for Stage 1 child care to reflect adjustments to child care provider rate ceilings resulting from implementation of the updated Regional Market Rate survey methodology, pursuant to federal requirements. The updated survey is expected to result in an overall increase in provider rate ceilings statewide. However, the specific details of the adjustment have not yet been provided by the Administration.

Recommendation: Amend the requested adjustment to include $2 million additional funding.

DSS Issue 3: Tribal TANF

Description: The May Revision proposes $158.9 million for Tribal TANF programs in 2006-07. This funding level reflects updated estimates for caseload and services provided by Tribal TANF programs. Tribal TANF programs request statutory changes to streamline reporting processes for both the state and tribes, and to amend the funding methodology to more accurately reflect the structure and cost of services provided under Tribal TANF programs. These changes would have no fiscal impact in 2006-07.

Background: Prior to 1996, low-income tribal families received AFDC welfare benefits through county welfare offices, under the same rules as other low-income families. The 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) gave federally-recognized Indian tribes the option to design and operate their own cash welfare programs for needy children with funds subtracted from their state's TANF block grant. Seven tribes in California have established Tribal TANF programs. Tribal TANF programs operate in 15 states, including California.

PRWORA allows for each Tribal TANF program to receive a Tribal Family Assistance Grant based on FFY 1994 actual expenditures for that tribe. A tribe's TANF grant, which is subtracted from the State's TANF grant, equals federal payments made to the state for fiscal year 1994 for AFDC, Emergency Assistance, and JOBS that are attributable to Indians in its service area. A tribe's grant is smaller than the sum spent on AFDC Indian children in fiscal year 1994 because it lacks the State matching share. Although the existence of a tribal program within a state reduces the state's potential TANF caseload, states are not required to help fund the tribal plan. However, except for Wisconsin and Oklahoma, most states contribute funds to at least some of the tribal programs within their borders. State funds for tribal programs are MOE-countable. In FFY 2001 four states claimed state expenditures on behalf of tribal programs as MOE.

Recommendation: Adopt placeholder trailer bill language to revise the methodology to more accurately reflect structure and costs of Tribal TANF programs.

DSS Issue 4: Farm to Family

Description: The Farm to Family program is a statewide produce program that distributed over 9 million pounds of produce in 2005 with a goal of distributing 12 million pounds in 2006. The California Association of Food Banks (CAFB) is requesting $1.0 million for Farm to Family to cover fees, transportation and equipment needed to move over 10,000,000 lbs of produce to serve over 2 million low-income million individuals:

Processing Fees: $500,000
CAFB receives high-quality produce from growers/packers that is perfectly nutritious but does not meet retail standards. Value Added Processing Fees (VAP) are fees paid to packers to cover costs related to sorting, packing and storing donated food. The average VAP fee for produce is 3 cents/pound. This funding will allow CAFB to acquire over 10 million pounds of produce, including oranges, melons, apples, potatoes, stone fruit and other produce.

Transportation Fees: $350,000
These funds will allow CAFB to utilize the most cost efficient trucking to move produce from the packing house to the local food bank, and the return of empty bins to the packing house to be re-filled again. These round trips will keep produce flowing continuously from the growers to low-income individuals in the fastest method possible, insuring maximum produce freshness. In order to provide excellent service to all, CAFB must be able to provide same day service to donors.

Equipment: $150,000
Bins are used by packers for sorting, storing and distributing produce. The bins are used to move produce from the packing house to the food bank and back to the packing house without any interruption to their existing processes. Expanding our bin supply will allow CAFB to expand our distribution and add new donors. The cost for purchasing 1,000 bins at $150 each is $150,000.

State Agency Partner: CAFB proposes that the Department of Social Services budget be augmented by $1 million to develop a pilot project and expand California's efforts to establish a partnership with the Agricultural Community and the state's Food Banks in their efforts to provide fresh, healthy produce to millions. CAFB would provide documentation of costs and be reimbursed from DSS for expenses.

Benefits of for Agriculture Community:

- Provides funding to growers to cover their processing costs
- Creates new consumers for their products
- Reduces dumping costs for produce that does not meet retail standards
- Provides recognition for Donors' work to benefit their community

Benefits for Food Banks and the Low-Income Community:

- Provides ongoing and steady supply of produce to food banks – this allows food banks to develop produce programs and work with their agencies to distribute more produce.
- Prevents hunger -- Fresh produce is an especially important donation to food banks, because other food industry donations are steadily decreasing, as secondary markets grow and food processing becomes more efficient.
- Prevents obesity -- Healthy food can be more expensive, according to new research, making it more difficult for low-income families to make healthy choices. Free fruits and vegetables at the food bank provide a healthy supplement to low-income families' diets.

Recommendation: Approve $1 million General Fund for Farm to Family Program.

DSS Issue 5: Foster Care and Child Welfare Services

Description: On March 9th the Subcommittee discussed funding issues for foster care and child welfare programs. At the hearing significant concerns were raised about the outcomes for children in the state's foster care and child welfare system. A variety of programs and approaches have been developed in recent years to improve foster care and child welfare outcomes. The Subcommittee may wish to provide $75 million General Fund in additional resources for these programs.

Child Welfare and Foster Care Funding Sources

(As of Governor's Budget - dollars in millions)

2006-07	FEDERAL IV-E	OTHER FEDERAL	STATE	COUNTY	TOTAL
Child Welfare Services	$829.2	$558.2	$630.6	$212.6	**$2,230.7**
Foster Care Grants	510.3	38.6	395.8	676.5	**1,621.2**
Foster Case Mgmt	42.8	4.4	31.0	12.0	**90.2**
KinGAP	0.0	68.0	16.0	16.0	**100.0**
Adoptions	43.9	0.0	54.9	0.5	**99.3**
AAP	284.5	0.0	293.5	97.8	**675.8**
Total	**$1,710.7**	**$669.2**	**$1,421.8**	**$1,015.4**	**$4,817.2**

The Child Welfare Services (CWS) program provides various services to abused and neglected children, children in foster care, and their families. These services include:

1. **Emergency Response Assessment—**the initial reports of abuse made to county welfare departments that do not result in an investigation.
2. **Emergency Response—**investigations of cases where there is sufficient evidence to suspect that a child is being abused or neglected.
3. **Family Maintenance—**a child is allowed to remain in the home and social workers provide services to prevent or remedy abuse or neglect.
4. **Family Reunification**—a child is placed in foster care and services are provided to the family with the goal of ultimately returning the child to the home.
5. **Permanent Placement—**permanency services provided to a child that is placed in foster care and is unable to return home.

Average Monthly CWS Caseload by Component 2005-06

	Cases	
	Number	**Percent**
Emergency Response Assessment	17,137	10%
Emergency Response	42,776	26
Family Maintenance	25,424	15
Family Reunification	23,566	14
Permanent Placement	55,498	34
Totals	**164,401**	**100%**

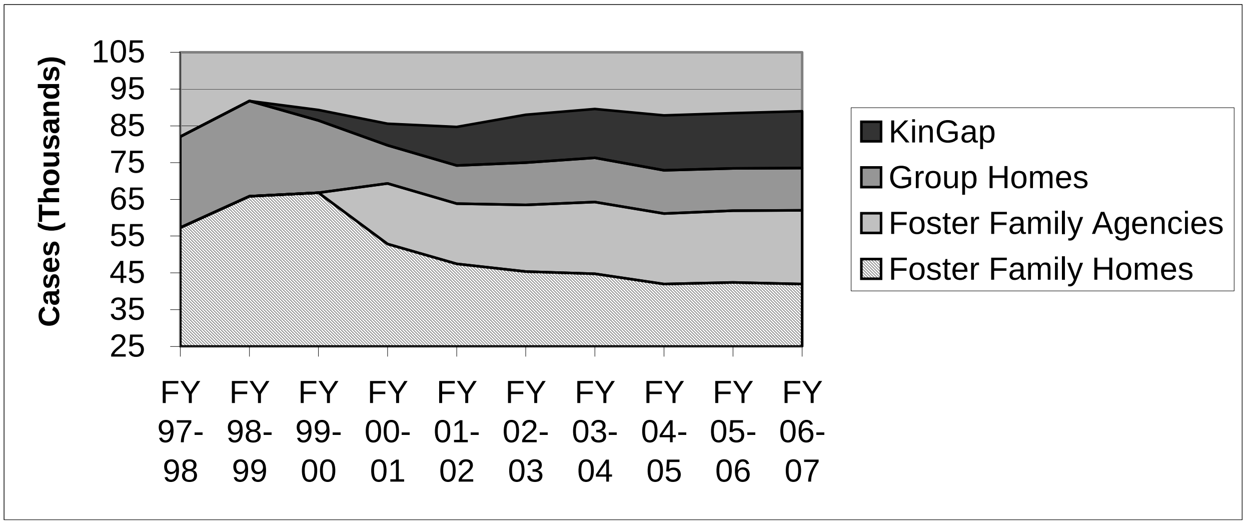
Detail may not total due to rounding.

Foster Care

The State has four major foster care placements:

Foster Care Placements	
Placement Type	**Description**
Foster Family Homes	♦ A residential facility that serves no more than six foster children. ♦ Provides 24-hour care and supervision in a licensee's home. ♦ Foster care grant may be supplemented for care of children with special needs.
Foster Family Agency Homes	♦ Homes operating under nonprofit foster family agencies which provide professional support. ♦ These placements are required by law to serve as an alternative to group home placement.
Group Homes	♦ A facility of any capacity that provides 24-hour non-medical care, supervision, and services to children. ♦ Generally serve children with more severe emotional or behavioral problems who require a more restrictive environment.
Kin-Gap	♦ Considered an exit to the foster care system. ♦ Provides support to children in long-term stable placements with relatives. ♦ Relatives are expected to provide 24-hour care and supervision. ♦ No supplemental payments for children with special needs. ♦ Funded with Federal TANF/ State TANFMOE General Fund.

In the last ten years there have been some dramatic changes to Foster Care placements. Group Home placements and Foster Family Home placements have declined while the Kin-Gap Program has grown since being established in 1999.



Note: Foster Family Agency caseload was reported as Foster Family Home Caseload before 2000.

Issue 5A: Child Welfare Services Workload (SB 2030 Study)

Description: There has been an ongoing effort in the Child Welfare Services (CWS) program to determine how many cases a social worker can carry and still effectively do his or her job. In 2000, the Child Welfare Services Workload Study required by Chapter 785, Statutes of 1998 (SB 2030, Costa) determined that those caseload standards were too high and that social workers had too many cases to effectively ensure the safety and well-being of California's children. Trailer bill language for the Budget Act of 2005 requires the department to report annually on progress made on reaching the SB 2030 CWS caseload standards.

Findings: In 1998, the Department of Social Services commissioned the SB 2030 study of counties' caseloads. At the time, the study concluded that for most categories the caseloads per-worker were twice the recommended levels. According to the study, it was difficult for social workers to provide services or maintain meaningful contact with children and their families because of the number of cases they were expected to carry.

The report also found that the 1984 standards used by the state were based on outdated workload factors, and did not reflect any additional responsibilities that had been placed on social workers by the state and federal governments. These findings and the minimal and optimal social worker standards proposed by the report have been included in budget discussions regarding staffing standards since the report's release. However, due to the state's budget shortfalls, the department has continued to use the 1984 workload standards, instead of the minimal and optimal standards, as the basis for allocating funds to counties for child welfare services staff. Although the 1984 workload standards are still in use, additional funding of approximately $330 million ($143 million General Fund) has been provided in recent years to move closer to SB 2030 standards.

As shown on the attached chart, the current level of resources for child welfare services provides funding for roughly half the number of social workers that would be required to meet the optimal standard identified in the SB 2030 study, and 70 percent of the social workers that would be required to meet the minimal SB 2030 standards.

Issue 5A Recommendation: Approve $50 million General Fund in 2006-07, annualized to $75 million in 2007-08, to protect children's safety and move toward meeting the SB 2030 standard. Adopt placeholder trailer bill language to address funding in future years.

Issue 5B: Transitional Housing Placement Program (THPP)

Description: The Transitional Housing Placement Program (THPP) provides housing assistance to emancipating foster youth aged 16 to 24. Counties have a sixty percent share of cost for THPP services provided to children 18 and older.

Each year, approximately 5,000 youth emancipate from the foster care system in California; many leave without the resources, skills or abilities to find safe housing and support. These youth are at a critical juncture and may become homeless, out of school, unemployed, and receive CalWORKs or, with housing and other support, become healthy and productive citizens.

According to the Campaign for Safe Transitions:

- Nearly a third of foster youth will become homeless at some time within the first year after they leave the system at age 18. Approximately 65% of California youth graduating from foster care in 2000-2001 were in need of safe and affordable housing at the time of graduation.
- Fewer than 10% of foster youth enroll in college and only 1% actually graduate.
- Unemployment rates for emancipated youth are estimated at 50%.
- Emancipated foster youth earn an average of $6,000 per year.
- About one fourth of former foster youth will be incarcerated within the first two years after they leave the system and approximately one third of former foster youth will be on public assistance shortly after aging out of the system.
- It is estimated that 10% of the young women emancipating from foster care in California are parents and that existing services for teen mothers are inadequate.
- 67% of females emancipated from the child welfare system in California had at least one birth within five years of leaving care.
- 40% of emancipated foster youth with one child reported having special needs due to pregnancy or parenting which interfered with independent living.

Recommendation: Increase funding for THPP by $4 million General Fund and adopt placeholder trailer bill language to eliminate the county share of cost for the program.

Issue 5C: Dependency Drug Courts

Description: The May Revision requests an increase of $2.1 million General Fund to maintain expenditures of $1.8 million in 2006-07 for the Dependency Drug Court program expansion initiated in 2004-05 and to provide $300,000 in contract funding for a prospective evaluation of the cost-effectiveness of the existing pilot project.

However, not all counties that applied for Dependency Drug Court funding were able to receive it. (Only 9 counties received grants out of 22 counties that applied). Furthermore, additional counties (including Los Angeles) have indicated an interest in establishing Dependency Drug Courts in 2006-07. For example, Los Angeles County Superior Court has requested that the Subcommittee consider funding for dependency drug courts in that county. More than 27,000 children are the court's jurisdiction in Los Angeles County. The Superior Court has also requested funding for 1) a substance abuse protocol for youth in five of the county's twenty-seven delinquency courts, and 2) development of a systematic approach to providing treatment to youth under Dependency Court jurisdiction who have substance abuse issues. Studies have shown that substance abuse plays a significant role in instances where youth crossover from Dependency Court to Delinquency Court, and that issue is not adequately addressed in Dependency Court. A new approach could be developed to prevent youth from entering the Delinquency system.

Recommendation: Approve the May Revision funding for Dependency Drug Courts, plus $3 million General Fund to expand Dependency Drug Courts to additional counties. Adopt technical conforming changes in the Department of Alcohol and Drug Programs as needed.

Issue 5D: KinGAP

Description: The increasing number and proportion of children in out-of-home care placed in the homes of relatives are among the most important child welfare trends of the decade. The increasing number of children in care and the declining pool of traditional foster families, along with recognition of the benefits of family care, are among the forces that have led to a growing use of kinship care. Relative caregivers are often aging grandparents, single and in declining health, socially isolated or emotionally unprepared to assume the responsibility of raising young children, despite how much they love them. The children, often abused or neglected, may have physical or behavioral problems that require professional help as well as the nurturing attention of the relative caregiver.

Created in 1998, the Kin-GAP program is intended to provide financial assistance for eligible children placed with relative caregivers. These youth are placed with relative caregivers by juvenile court and who are at risk of dependency or delinquency. The intent of the Kin-GAP program is to give relatives the option of assuming custody of a youth relative—which is typically considered a preferred placement—and, in turn, reducing demand traditional foster care. In addition, Kin-GAP enables the youth to benefit from foster care payment rates, which are higher than those under the CalWORKs program.

Under current law, Kin-GAP participants do not receive the same specialized care increment payments and annual clothing allowances provided to foster youth. Specialized care increment (SCI) payments are provided to meet the additional health and/or behavioral problems some children have. This payment is in addition to the basic foster care rate. As the name implies, clothing allowances are intended to meet the clothing needs of foster youth.

According to advocates, these benefits are important to foster families—the absence of these benefits for Kin-GAP youth can deter relatives who might otherwise participate in Kin-GAP.

While it is commonly accepted that relatives (as well as foster parents) do not care for needy youth for financial reasons, the financial burden of caring for a child can prevent some willing families from providing such care. In San Mateo County, SCI payments vary from $188 for Basic Above Average Care to $525 for Maximum Above Average Care. Clothing allowances in San Mateo County range from $312 starting at birth to $465 for 19 year olds. While these additional payments are small, they can make a difference.

The SCI and clothing allowances can be important benefits for foster families, and their unavailability in Kin-GAP can be a deterrent to relatives who might otherwise choose to participate in the program. In such cases, case management and juvenile court jurisdiction continue even when they might not otherwise be needed.

In addition, Kin-Gap does not currently apply to youth who are wards of the juvenile court. These youth are under the jurisdiction of the juvenile court and are supervised by probation officers rather than county welfare social workers. The transfer of the delinquency cases to Kin-Gap would likely result in savings as a result of lower probation and juvenile court costs.

Recommendation: Approve $8 million General Fund to ensure parity of services between KinGAP and Foster Care. Adopt placeholder trailer bill language to extend eligibility for Kin-Gap assistance to probation youth who have been living with a relative for at least 12 months, has kin guardianship case, and whose case has been terminated with the juvenile court.

Issue 5E: Adoptions

Description: The Governor's Budget proposed $12.2 million ($7.1 million General Fund) to hire additional state and county adoptions caseworkers, who are estimated to result in 560 additional adoptions in 2006-07. Funding for adoptions caseworkers has remained relatively flat in recent years, while the number of children needing permanent placement has increased.

Recommendation: Approve $4 million additional General Fund for additional efforts to help with the adoption of hard to place foster children.

Issue 5F: Chafee Scholarship Program

Description: Half of all foster youth do not complete high school, and only 15% take the necessary courses to gain college admission. Foster youth face barriers receiving the necessary academic preparation for college and obtaining the information necessary to complete the application and financial aid process. Not surprisingly, fewer than 10% of foster youth who graduate high school go on to college. If foster youth do manage to overcome existing challenges and enter college, they still struggle to find the financial assistance to fund their living and education expenses and to receive the support on campus to successfully graduate from college. As a result, fewer than 2% of foster youth who go on to college ever graduate.

The California Chafee Foster Youth Grant program provides scholarships to former foster youth. This year, California received approximately $8 million in federal funds for education training vouchers of up to $5,000 per academic year foster youth who:

- Are a minimum age of 16 and who have not reached their 22nd birthday by July 1, 2006
- Were eligible for Chafee Independent Living Program Services between their 16th and 18th birthday.
- With financial need certified by the school
- Up to the Cost of Education, not to exceed $5,000

The current federal funding provides roughly half the unmet financial need for 1,786 students. However, so far in the current year, over 5,000 students applied for Chafee, and of those applications approximately 1,124 eligible youth will not receive assistance through the Chafee program due to limited federal funding. The California Student Aid Commission notes that applications are still being filed, so the current year number continues to change. It would cost $5.7 million General Fund to fully fund the 1,124 eligible applicants that are currently not served by the Chafee program and address the three month federal funding delay for issuing awards.

Of the 1,786 awards that were made this year, 1,283 renewals and 503 new awards.

The California Student Aid Commission has also encountered a cash flow problem associated with the timing of the federal fiscal year that inhibits approving applications before October 1st of each year. Since most schools award financial aid in the fall, this delay hurts students that need the funding to plan for their expenses. The State could "loan" CSAC General Fund for the first three months of the fiscal year, to avoid the delay in making these grants.

Recommendation: Approve $5.7 million to fully fund all eligible foster youth that applied for the Chafee Scholarship program and address the three month federal funding delay for issuing awards.

Issue 5G: Performance Improvement Plan (PIP) Initiatives

Performance Improvement Plan (PIP) Initiatives: The May Revision requests an increase of $19.6 million ($11.9 million General Fund) to expand three Performance Improvement Plan (PIP) initiatives to additional counties in 2006-07 to improve Child Welfare Services program outcomes and achieve compliance with federal performance requirements. This funding would allow the Standardized Safety Assessment initiative to be expanded to an additional 18 counties, and the Differential Response and Permanency Enhancements initiatives to be expanded to an additional 15 counties.

In 2001, AB 636 (Steinberg) created an outcome system to align state performance outcomes with the federal performance outcomes described earlier. The implementation of this system began in 2004 when counties examined their performance data, met with their communities, and developed Self Improvement Plans (SIPs). These SIPs, like the state's Performance Improvement Plan (PIP), identify the level of improvement counties anticipate making on outcomes, and their action plans to make the improvements. Counties receive quarterly reports from the Department of Social Services DSS, in order to monitor their progress on outcomes and adjust their approaches accordingly. (The state contracts with UC Berkeley to compile data by county for each outcome measure.)

Recommendation: Adopt the May Revision funding increase but redirect most of the funding to the CWS Outcome Improvement Project (AB 636 outcome system). Maintain $1 million in the PIP initiatives to expand the standardized safety assessment statewide.

DSS Issue 6: County Costs for Operating Social Services Programs

Description: The California State Association of Counties (CSAC), the Urban Counties Caucus (UCC), and the County Welfare Directors Association (CWDA) have requested that the Subcommittee adopt placeholder trailer bill language that would fund the actual cost of county administration of human services programs beginning in the 2007-08 Budget.

Background: The State provides funding for the county administration of welfare, child protection, and other human services programs. Since 2001, the State has not adjusted these amounts to reflect the actual costs trends in these counties. As a result, the level of services provided by the counties has declined.

On March 9th, the Subcommittee rejected language that would have permanently frozen the cost of doing business for counties at the current year level. Although Cost of Doing Business expenses have not been included in the budget for the last five years, they are assumed in the long term cost projections for the program.

Recommendation: Adopt placeholder trailer bill language to establish a workgroup to review this issue for 2007-08 budget development.